



Monthly Economic Update

July 2003



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This report is an update to the Quarterly Economic Indicators Report, both of which are available on the internet @ <http://www.montgomerycountymd.gov/finance>. For questions, please call (240) 777-8866.

➤ **Economic Conditions.** GDP grew 2.4 percent during the second quarter, which was slightly higher than market expectations but below the historical average of 3.5 percent. The driver behind the economic growth has been consumer spending. Either through consumption of goods and services or investment in housing, the consumer continues to lead this expansion.

However, the boost in consumer confidence that occurred immediately after the end of major hostilities in Iraq waned in July. Both the national (-8.3%) and regional (-14.0) indices of consumer confidence declined significantly. Whether such declines will be reflected in consumer spending is premature. Recent retail sales data suggest that such pessimism did not affect consumer spending in July – up 3.4 percent over June and 6.5 percent over last year.

➤ **Labor Market.** Total payroll employment in the County increased by slightly less than 3,300 jobs in 2002, the latest date for which data are available. Almost all of the increase occurred in the public sector while the private sector gained a meager 75 jobs. Not all private-sector industries experienced declines. The health and education services industry gained 2,300 jobs but were offset by declines in the manufacturing, information, and professional and business services sectors. The County's unemployment rate at 2.7 percent in June was the lowest in the State.

➤ **Retail Sales.** Retail sales in the County as measured by sales tax receipts were up 1.7 percent in June compared to June 2002. Sales for the first six months were up 1.9 percent compared to the same period last year and were significantly greater

than the State's rate of 0.4 percent. Purchases of nondurable goods continued to contribute to sales growth and automobiles (+2.3%), furniture and appliances (+3.4%), and machinery and equipment (+3.9%) made impressive gains during the first half of 2003.

➤ **Real Estate.** Housing prices in the County continued to accelerate in July. Since the beginning of the year, average prices increased 13.5 percent over the same period last year. Housing sales rebounded nicely in July with a 4 percent increase over June and a 23 percent increase over July of last year. July experienced the largest monthly sales (1,860) during the past five years. Sales during the past two months exceeded 3,600 units and surpassed the previous highest two month performance of July/August 2001. Average home prices exceeded \$375,000 in July, an increase of \$52,000 since last year.

➤ **Construction.** While home sales in the County hit all time highs, residential construction continued to experience a slowdown during the first half of 2003. Residential permits declined 9.5 percent compared to the first half of 2002. To-date, the number of permits is the lowest six-month total since 1996. In contrast, the number of national (+5.6%) and State (+3.1%) housing permits grew during the same six-month period. Residential construction starts in the County followed a similar pattern. The number of starts was down 43.3 percent compared to the same period last year, while the value of new residential construction was at its lowest level (\$233.1 million) since the first half of 1999.

SELECTED ECONOMIC INDICATORS	Reporting Period	Current Period	Prior Year's Period	Year To-Date		2002
				2003	2002	
Leading Indicators						
National	June	0.1%		-0.7%		-0.2%
Washington MSA	June	0.0%		-0.1%		-0.6%
Coincident Indicators						
National	June	0.1%		0.4%		0.7%
Washington MSA	June	2.4%		-4.5%		-0.7%
Consumer Confidence Index						
National	July	-8.3%		-27.0%		-14.7%
South Atlantic Region	July	-14.0%		-23.2%		-9.6%
Consumer Sentiment (University of Michigan)	July	0.4%		-8.0%		-2.4%
Consumer Price Index						
All Items						
National	July	2.1%		2.4%		1.6%
Washington - Baltimore CMSA	July	3.0%		3.1%		2.4%
Core CPI						
National	July	1.5%		1.6%		2.4%
Washington - Baltimore CMSA	July	2.8%		2.7%		2.9%
Retail Trade						
National (sales - nsa)	July	6.5%		5.0%		3.1%
Washington MSA (sales - nsa)	June	4.2%		5.5%		3.0%
Maryland (sales tax)	June	2.5%		0.4%		1.6%
Montgomery County (sales tax)	June	1.7%		1.9%		0.9%
Employment						
National (household data - nsa)	July	138,503,000	137,495,000	137,297,857	136,045,143	136,485,000
- Percent Change		0.7%		0.9%		-0.3%
Washington PMSA (household data - nsa)	June	2,787,360	2,746,519	2,744,115	2,706,218	2,719,777
- Percent Change		1.5%		1.4%		3.7%
Montgomery County (resident)	June	498,335	493,291	492,031	485,774	489,673
- Percent Change		1.0%		1.3%		2.5%
Montgomery County (payroll)**	December ('02)	458,357	458,664	453,145	449,853	453,145
- Percent Change		-0.1%		0.7%		0.7%
Unemployment						
National (nsa)	July	5.9%	5.9%	6.2%	5.9%	5.8%
Maryland (nsa)	June	4.6%	4.6%	4.4%	4.5%	4.4%
Washington PMSA	June	3.7%	4.0%	3.6%	3.8%	3.7%
Montgomery County	June	2.7%	3.1%	2.6%	2.9%	2.8%
Construction						
Construction Starts - Montgomery County						
Total (\$ thousand)	June	\$67,312	\$233,411	\$442,277	\$897,203	\$1,595,801
- Percent Change		-71.2%		-50.7%		9.5%
Residential (\$ thousand)	June	\$47,438	\$75,071	\$233,060	\$339,395	\$744,066
- Percent Change		-36.8%		-31.3%		-4.2%
Non-Residential (\$ thousand)	June	\$19,874	\$158,340	\$209,217	\$557,808	\$851,735
- Percent Change		-87.4%		-62.5%		25.0%
Building Permits (Residential)						
National	June	172,066	156,025	899,481	852,005	1,747,678
- Percent Change		10.3%		5.6%		6.8%
Maryland	June	3,548	2,470	14,780	14,335	29,293
- Percent Change		43.6%		3.1%		0.8%
Montgomery County	June	329	285	1,952	2,156	5,013
- Percent Change		15.4%		-9.5%		-1.5%
Building Permits (Non-Residential)						
Montgomery County	July	221	182	1,032	1,128	1,858
- Percent Change		21.4%		-8.5%		-11.6%
Real Estate						
National						
Sales	June	5,830,000	5,370,000	5,850,000	5,610,000	5,566,000
- Percent Change		8.6%		4.3%		5.1%
Median Price	June	\$176,500	\$163,900	\$165,000	\$154,100	\$158,200
- Percent Change		7.7%		7.1%		7.0%
Montgomery County						
Sales	July	1,860	1,513	9,191	8,732	16,030
- Percent Change		22.9%		5.3%		3.1%
Average Price	July	\$376,381	\$324,025	\$352,117	\$310,323	\$320,418
- Percent Change		16.2%		13.5%		16.5%
Median Price	July	\$314,900	\$261,000	\$282,986	\$243,421	\$255,275
- Percent Change		20.7%		16.3%		18.7%
Average Days on the Market	July	22	19	29	26	25

NOTE: **Data for Year-To-Date columns five and six are for entire calendar years 2002 and 2001, respectively.
nsa=Not Seasonally Adjusted